DLA's Role in Services' Performance Based Logistics Initiatives for Weapon Systems

December 3, 2003

Topics

- **Overview of Performance Based Logistics (PBL)**
- **DLA Best Value Support/Core Competencies**
- **DLA Transformational Initiatives**
- **DLA Support To Combatant Commands**
- **Options For DLA Role In Service PBL Initiatives**
- **Examples Of DLA Role In Service PBL Initiatives**

Performance-Based Logistics

Prod

INDUSTRY/ORGANIC

Buys Performance As a Package
(Including Surge/Flexibility)

Weapon System Program Manager

Warfighter(/Force Provider)

DLA: ICPs DDC

Support Providers

PBA

- NMCS
- Repair TAT
- CWT
- TDD
- Supply Availability

PBA

- MC Rate
- Ao
- TOW
- MTBMCF

Ensure System is Sustained at Optimum Level per PBA

Provide Continuous, Reliable, Affordable Support per PBA

Acquisition

Sustainment

Disposal

Visibility into cost/risk decisions across life cycle

DLA Role: Interim Defense Acquisition Guidebook, 30 Oct 02

Paragraph C2.8.3.2, Product Support Integrator:

"…*The PM shall invite Military Service and Defense Logistics Agency (DLA) logistics activities* to participate in product support strategy development and integrated product teams (IPTs). These participants shall help to *ensure effective integration of system-oriented approaches with commodity-oriented approaches* (common support approaches), optimize support to users, and maximize total logistics system value."

DLA Role: Interim Defense Acquisition Guidebook, 30 Oct 02

Paragraph C2.8.4.2, Supply Source of Support.

"It is DoD policy to give the PM latitude in selecting a source of supply support .... *The PM shall select organic supply sources of support when they offer the best value .... When changing the support strategy for fielded equipment from organic support to contractor support ...., DoD-owned inventory that is unique to that system must be addressed in the source of support decision."*

DLA Best Value Support/Core Competencies – Consumable Parts Support

- **Low Prices: Buying Across Weapon Systems and Strategic Supplier Alliances (SSAs)**

- **Improving Response: SSAs And LTCs With DVD (Prime Vendors, Virtual Prime Vendors, Corporate Contracts)**

- **Inventory/Pipeline For 1,392 Specific Weapon Systems:**

  - **Unique: $6.7B In Inventory/Pipeline; 1.2M NSNs**

DLA Best Value Support/Core Competencies – Distribution Services

- 19 Distribution Depots in CONUS; 3 Overseas – Germersheim, Pearl Harbor, Yokosuka
  - Establishing a DD in Bahrain or Kuwait
  - Establishing a DD on Korean Peninsula – Camp Carroll
  - Establishing a DD on Guam
  - Forward Stock Positioning
    - NAS Sigonella
  - Cross Docking
- Infrastructure In Place At Service Maintenance Depots
  - Support Lean Initiatives
- Dedicated Truck Service From SDPs: DDSP And DDJC

DLA Transformational Initiatives

- **Business Systems Modernization (BSM):**
  - **Reengineering SCM Processes – Best Commercial Practices**
  - **COTS IT Systems: ERP – SAP; APS - Manugistics**

- **Customer Relationship Management (CRM):**
  - **Collaborative Demand Planning with Major Customers**
  - **Customer Cells at Lead Defense Supply Center**
  - **Performance Based Agreements**

- **Strategic Material Sourcing for Competitive Items:**
  - **Grouping Items for Long-Term Contracts with Performance Based Metrics**

- **Strategic Supplier Alliances and Long-Term Corporate Contracts with Major OEMs for all Sole Source Parts Across Systems/Services**

- **Supplier Relationship Management with Major Suppliers**
  - **Collaborative Supply Planning and Performance Reviews**

Strategic Supplier Alliance Candidates

DSCC

AM General
Dresser Rand *
GD Land Systems
GM Defense
OshKosh Truck Co.
Raytheon
Stuart & Stevenson
United Defense LP

DSCP

AVIBANK *
Fairchild Fasteners
SPS Technologies*

DSCR

Aircraft Braking Systems
BAE SYSTEMS
Boeing *
Canadian Commercial *
Eaton Corp.
General Electric *
Goodrich Corporation
Hamilton Sundstrand *
Honeywell *
Lockheed Martin
Moog Inc.
Northrop Grumman
Parker Hannifin *
Pratt & Whitney *
Rolls Royce *
Sikorsky*
Textron/Bell Helicopter*
Unison Industries

***Fully Established SSAs**

DLA Transformational Initiatives

- National Inventory Management Strategy (NIMS)
  - Extends DLA Supply Chain Management to the Point of Use
  - Provides DLA with True Demand From Point of Use Data
    - More Accurate Demand Forecasts
    - Reduced Supply Chain Cycle Times
  - Reduces Total DoD Inventory Investment
  - Pilot Sites:
    - Army: Fort Carson, CO
    - Navy: Naval Station, Ingleside, TX
    - Air Force: Oklahoma City Air Logistics Center
    - USMC: Camp Lejeune, NC

DLA Support to Combatant Commanders

- DLA Liaison Officers (LNOs): Participate in Deliberative And Crisis Planning
  - OJCS/J-4; EUCOM; PACOM; CENTCOM; SOUTHCOM; NORTHCOM; STRATCOM; JFCOM; TRANSCOM
  - DLA Annexes To OPLANs And CONPLANs
  - DLA Participation in Exercises
- DLA Europe And DLA Pacific In Place; DLA Southwest Asia To Be Established By 1 Oct 03
  - Operational and Contingency Planning
  - Customer Support Representatives Assigned To Major Installations and Units
- DLA Contingency Support Teams (DCSTs)
  - Deploy Within 48-72 Hours at Request of Combatant Commanders
  - DCSTs Deployed:
    - Kosovo
    - Bosnia
    - Multiple Sites in Southwest Asia in Support of OIF

Options for DLA Role in Service PBL Initiatives

- DLA Continues to Manage the Consumable Parts Supply Chain – Directly Delivers to Weapon System Consumers
  - Enhanced by Transformational Initiatives

- DLA Includes Consumable Items on Service's Contract and Vice Versa
  - Only Unique Sole Source/Proprietary Parts from That Contractor
    - Limited by CICA, Bundling, Small Business Issues

- DLA Is Source of Supply to Service Product Support Integrator (PSI)/ PBL Contractor
  - Common and Unique Consumable Items If Best Value
  - If Not Best Value for Unique, PSI/PBL Contractor

DLA Role in C-17 Flexible Sustainment

- DLA transferred almost all C-17 unique consumable item management to AF's Boeing ICP after inventory was bought out or requisitioned over time
- DLA is managing/supplying all common consumable items coded to the C-17 for I and O Level AF Customers and some C-17 unique consumable items
  - C-17 Aircraft:
    - 26,294 NSNs (includes 5,185 C-17 unique i
    - $167.2M in inventory; $83.9M due in under contracts
    - $259.5M in sales last 24 months across all
  - W-100, F-117, Aircraft Engine:
    - 2,706 NSNs (includes 1,215 C-17 engine unique items)
    - $13.2M in inventory; $2.4M due in under c
    - $12.2 M in sales last 24 months across all s
  - C-17 Support Equipment:
    - 5,254 NSNs (includes 582 C-17 sup. equip. unique

94.0% Supply Availability

96.0% Supply Availability

94.3% Supply Availability

AF has CLS contract

DLA Role in F/A-18 E/F Integrated Readiness Support Team (FIRST) PBL

- DLA transferred management for most F/A-18 E/F unique consumable items to Navy's Boeing ICP after inventory was bought out
- DLA is managing/supplying all common and some unique consumable items coded to the F/A-18 E/F for I and O Level Navy/USMC Customers
  - 7,338 NSNs (352 unique NSNs; 6,986 co NSNs)
  - $68.7M in inventory; $52.1M due in under contracts
  - $164.0M in sales last 24 months across all systems
- Boeing plans to use DLA as source of supply for consumable items when best value
  - To support depot level maintenance performed by Boeing, its subcontractors, and the 3 Naval

93.0% Supply Availability

DLA Role In Navy's Consolidated Automated Support System (CASS) PBL

- DLA Added DLA-Managed Consumable Items to Navy's CASS PBL Contract with Lockheed Martin
  - Lockheed Martin Sole Source CASS Unique Consumable Parts
  - DLA DSCs' forwarded MIPRs to Lakehurst to cover up-front contract funding for DLA-managed parts
- DLA Continues to Manage and Supply All Consumable Parts for CASS Support – Unique and Common
  - Adding Items to DLA Long-Term Contracts Under SMS/SSA

4,590 DLA-Managed Parts; DLA Supply Availability: 97.1%

DLA Role In OC-ALC's PBL Contract with Lockheed Martin Kelly Aviation Center (LMKAC) for TF39 & T56 Engines

- **OC-ALC Contract Authorizes LMKAC to Use DLA as Source of Supply**
- **LMKAC Intends to Use DLA as Its Primary Source for Consumable Parts**
- **LMKAC Is One of DSCR's Largest Customers**
- **LMKAC and DSCR Working on Service Level Agreement**

Engine: 6,780 DLA-Managed Parts; DLA Supply Availability: 93

Engine: 3,118 DLA-Managed Parts; DLA Supply Availability: 93.

DLA Role In B-2 Total System Support Partnership (TSSP)

- AF to continue to manage reparable items
- Northrop Grumman to manage all AF-managed B-2 unique consumables
- Northrop Grumman to manage 11,185 DLA-managed unique consumable items after DLA inventory is bought out/depleted
    - Items requiring engineering (e.g., bearings, structures)
    - Items with special uses (e.g., seals)
    - Items with tooling/engineering requirements
    - Problem parts (technical expertise required)
- DLA to continue to manage/supply 16,183 B-2 unique consumable items and 39,286 common consumable items
- Northrop Grumman to place integrators at 509th Bomb Wing, Whiteman AFB, MO, Palmdale, CA, OC-ALC, and OO-ALC; pass information to DLA

DLA Supply Availability for B-2: Aircraft – 93.9%; Engine – 94.4%; Support Equipment – 94.7%

DLA Role In Air Force's F-22 Raptor Air Dominance Fighter

- **Lockheed Martin and Subcontractors Responsible For Depot Level Maintenance and all F-22 Unique Repairable and Consumable Item Support**
- **DLA Is Source of Supply for all Common Consumable Items for Organizational Level Maintenance Customers**
- **DLA Participated In Site Activation Surveys**
- **Air Force Provided DLA with Forecasts (SSRs) for 2,487 NSNs for Nellis AFB and Tyndall AFB; Engine: 200 NSNs**
    - **Nellis AFB Has 4 F-22s and Will Receive 2 More Soon**

LA Supply Availability: Aircraft – 93.7%; Engine – 91.4%

DLA Role In Javelin Missile Support – Joint Army/USMC Program

- Army awarded sole source life cycle contractor support PBL contract with the OEM (Raytheon/Lockheed Martin)
  - Parts are “free issue” to the user from contractor
  - Contract has clause authorizing contractor to use DLA as a source of supply for consumable items
    - Contractor will use DLA when best value for common consumable items
- USMC does not want “free issue” to user approach – USMC, DLA, and Raytheon/Lockheed Martin Teaming:
  - DLA will be source of supply to USMC

DLA Role In F-35 Joint Strike Fighter

- Lockheed Martin has SDD contract for 14 test aircraft
  - Includes design of ALIS and SCM
  - Contract authorizes LM to use Government sources of supply
- DLA's DLIS and UK's NCB will perform cataloging
  - DLIS gaining access to contractors' data systems to establish/ assign NSNs to part numbers
  - DLIS and NCB won trade study against commercial companies
- LM issued RFP for Supply Services Provider (SSP) 20 October 2003
  - 30 bidders; proposals due 12 December 2003
- DLA's Lead Center for Aviation Support, DSCR, expressed interest in partnering to provide best value solutions to each of the 30 SSP bidders
- Over 20 SSP bidders expressed interest in

DLA Support To Operation Enduring Freedom (As of 12 November 2003)

- **Defense Supply Centers Have Processed 4,245,440 Requisitions For $4.54 Billion**
- **Defense Distribution Center Has Processed And Shipped 4,083,397 Materiel Release Orders – 267,852 Short Tons; $14.48 Billion**
- **Defense Energy Support Center Has Provided 1.82 Billion US**

DLA Support To Operation Iraqi Freedom (As of 12 November 2003)

- **Defense Supply Centers Have Processed 318,249 Requisitions For $609.48 Million**
- **Defense Distribution Center Has Processed And Shipped 316,890 Materiel Release Orders – 27,507 Short Tons; $2.77 Billion**
- **Defense Energy Support Center Has Provided 657.3 Million US**

Customer Quotes – DLA Director's Visit to Southwest Asia 16-21 May 2003

"I can [illegible] troops were in trouble for logistics support throughout this operation, and our fleet had even better mission capable rates when they redeployed, this is unprecedented."

VADM Keating, Commander NAVCENT/5th Fleet

"Top to bottom your DLA folks did a great job supporting the operation right here side by side with us."

MG Christensen, CJTF7 J4

"Not one meal was missed and no one ran out

Doug Walker’s Nephew in Afghanistan

Oklahoma City ALC Commander's Letter to DLA Director – 17 July 2003

- **"The support we have received on DLA managed assets from the DLA Supply Centers has been outstanding."**
- **DLA Customer Wait Time Metrics – Material Order to Receipt Time – May 2003 Data:**
  - **Aircraft Division: 6.46 Days – Below Goal of 7 Days**
    - **Backorders lowest ever – 45% decrease in last 12 months**
  - **Engine Division: 1.7 Days – Well Below Goal of 3 Days**
    - **Backorders decreased by 37% since October 2002**
  - **Commodities Division: Met Goal of 2**

DLA Committed to Helping PMs Implement PBL on all Major Systems

- DLA eager to team with PMs and their PBL product support integrators

- DLA has core competencies that can be brought to bear when best value
  - Consumable parts support
  - Distribution services

- DLA is transforming itself to improve support to the warfighter, DoD industrial activities, and contractors

- DLA is a proven logistics combat support